



PEGASUS
BROADCAST TELEVISION

August 26, 2004

Mr. Lewis Cosby
Knoxville Channel 7, L.L.C.
6215 Kingaton Pike South, Suite A
Knoxville, TN 37919-4044

Re: Channel 25 Settlement

Dear Mr. Cosby:

As you know, Knoxville Channel 7, L.L.C. (formerly Knoxville Channel 25, L.L.C.) (hereinafter "Knoxville 7") and WDSI License Corp. ("WDSI"), a subsidiary of Pegasus Broadcast Television, entered into a settlement agreement in June 2001 to resolve a potential conflict over Channel 25 in Knoxville, Tennessee. At the time, Knoxville 7 had an application pending seeking a construction permit for a new full-power NTSC station on Channel 26 in Knoxville, Tennessee, and a rule making seeking to substitute Channel 25 at Knoxville in the TV Table of Allotments. At the same time, WDSI had an application seeking Class A status for its low power station WPDP-LP, Cleveland, Tennessee operating on Channel 25. As these applications and petition for rule making appeared to be mutually exclusive in terms of over-the-air interference, the parties entered into a settlement agreement whereby Knoxville 7 dismissed its petition to deny WPDP-LP's Class A status, WDSI sought a displacement to an alternate channel not mutually exclusive with Channel 25, and Knoxville 7 agreed to pay the legitimate and prudent expenses incurred by WDSI in such a channel change, up to \$85,000.00.

In light of the fact that the Commission has now substituted and allotted DTV Channel 7 at Knoxville, Tennessee in lieu of NTSC Channel 25, and has now issued Knoxville 7 a construction permit for a new DTV station on Channel 7, the need for the settlement agreement, and the need for WPDP-LP to displace from Channel 25 have been eliminated.

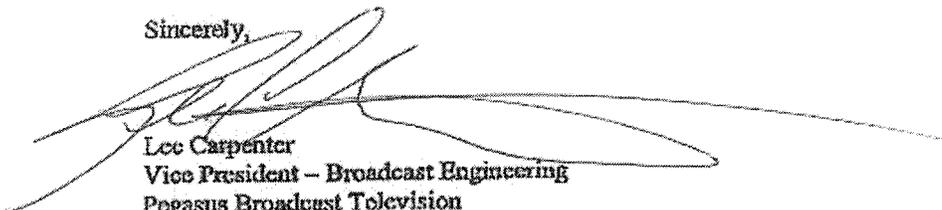
As Knoxville 7's earlier rule making for Channel 25 and application for Channel 26 have been modified to specify DTV Channel 7 and have subsequently been granted, WPDP-LP should not be displaced from its current operating channel - Channel 25. Accordingly, WPDP-LP intends to seek Commission authority to remain on Channel 25 with Class A status, as it initially intended to do before agreeing to displace in favor of Knoxville 7's proposed operation on Channel 25. To that end, this letter seeks to confirm that Knoxville 7 no longer objects to WPDP-LP acquiring Class A status on Channel 25.

To that end, please sign below and return a copy of this letter to me indicating that Knoxville 7 does not object to WPDP-LP seeking Class A status on Channel 25, Cleveland,

Tennessee. By signing below, we each represent that we possess the requisite authority to represent our respective companies in this matter, and agree that an electronic copy of this letter shall suffice in lieu of an original.

I appreciate your efforts in this matter, and please feel free to contact me if you have any questions regarding this matter.

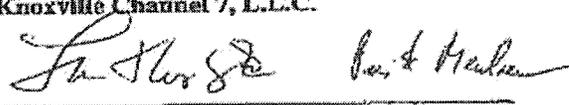
Sincerely,



Lee Carpenter
Vice President - Broadcast Engineering
Pegasus Broadcast Television
124 Lake Dockery Drive
Jackson, MS 39272
601-346-4371

SEEN and AGREED:

Knoxville Channel 7, L.L.C.



By: Lewis F. Cosby

Date: 8/27/04